

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2561-09
Bill No.: Perfected SB's 1233, 840 & 1043
Subject: Licenses – Motor Vehicle; Transportation; Revenue Dept.; Highway Patrol;
Motor Vehicles; Motor Carriers; Transportation Dept.
Type: Original
Date: April 1, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$0	\$2,251,290	\$4,502,580
Total Estimated Net Effect on General Revenue Fund	\$0	\$2,251,290	\$4,502,580

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Highway Fund	\$762,189	\$4,431,217	\$12,722,958
Insurance Dedicated Fund	(\$99,601)	(\$113,036)	(\$115,924)
RR Grade Crossing Fee	\$0	\$7,430	\$14,859
Conservation Tax	\$0	\$245,856	\$491,711
Prop C	\$0	\$750,430	\$1,500,860
State Parks Fund	\$0	\$98,343	\$196,685
Parks/Soil Fund	\$0	\$98,343	\$196,685
Total Estimated Net Effect on <u>Other</u> State Funds	\$662,588	\$5,518,583	\$15,007,834

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$339,846	\$4,691,135	\$11,168,714

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Elementary and Secondary Education, Department of Public Safety – Missouri State Highway Patrol, Department of Transportation, and the City of Kansas City** assume this proposal would have no fiscal impact on their agencies.

Officials from the **Department of Insurance (INS)** state in order to enforce the provisions of the proposal, the INS estimates it would require one (1) additional Financial Analyst Specialist II to process registrations, review company financial statements, examine the reserve accounts, review any 10Ks filed, and verify company net worth. The INS also estimates that an additional Investigator II would be required to handle provisions of Section 407.1224, which allows for conducting investigations and examinations for the protection of policyholders. The INS cannot estimate how many companies will be registered but assumes it would be less than 100. If the numbers are considerably more, additional staff will need to be requested.

Revenue will be generated as a registration fee is required to be paid annually. The INS is unable to estimate the number of companies, so potential revenue is unknown. The proposal does not indicate where fees will be deposited, but INS assumes the fees would be deposited into the Insurance Dedicated Fund, where other such fees are deposited.

Section 407.1203.1.4 exempts provider fees from premium taxes but requires tax be paid on premiums for reimbursement insurance policies. Premium tax is currently collected for premiums for reimbursement insurance policies handled through insurance companies. The INS assumes any additional premium taxes collected would be minimal and has not made any estimates for additional revenues.

INS estimates costs for this proposal of \$99,601 for FY05, \$113,036 for FY06, and \$115,924 for FY07.

Oversight has, for fiscal note purposes only, changed the starting salary for the Financial Analyst Specialist II and Investigator II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Department of Natural Resources** assume this proposal would exempt from emission inspections vehicles manufactured 26-years prior to the current model year. Current

ASSUMPTION (continued)

law exempts vehicles manufactured prior to 1971 from emission inspections. It is assumed this proposal would result in a minimal fiscal impact on the department.

Officials with the **Office of State Courts Administrator (OSCA)** indicated this proposal could have fiscal impact on the courts. Changes to the laws relating to obtaining and maintaining a Commercial Driver's License (CDL) could prolong some cases and increase the number of trials requested. OSCA was unable to quantify a precise fiscal impact at this time. **Oversight** assumes that any increase in the workload of the judiciary will be reflected in future budget requests.

Officials from the **Office of Secretary of State (SOS)** assume this proposal would give the Director of DOR the authority to adopt rules to implement provisions of this act. These rules would be published in the Missouri Register and the Code of State Regulations. These rules could require as many as 60 pages in the Code of State Regulations and half again as many pages in the Missouri Register, as cost statements, fiscal notes, and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23 and the estimated cost of a page in the Code of State Regulations is \$27. Based on these costs, the estimated cost of the proposal with respect to rule-making is \$3,690 in FY05 and unknown in subsequent years. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which would require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials with the **Department of Revenue (DOR)** assume this proposal could have fiscal impact on their agency. Impact is broken down into the following sections:

Sections 67.1800, 67.1808, and 67.1818

DOR assumes 975 cabs in the City of St. Louis will require the new plates mandated by this section. DOR will require \$5,461 for procedures, forms, envelopes, and postage. Also required will be 180 hours of overtime programming for a total of \$4,221 and \$500 annually for storage at the State Data Center.

The \$25 fee for these plate applications would result in the following revenue:

FY 05 (10 months) Income

813 plates issued * \$25 plate fee	\$20,312
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ASSUMPTION (continued)

FY 06 Income

975 plates issued * \$25 plate fee	\$20,312
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FY 07 Income

975 plates issued * \$25 plate fee	\$20,312
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According to the Missouri Constitution, this revenue is to be dispersed in the following manner:

State Road Fund	75%
Cities	15%
Counties	10%

Section 301.025

DOR assumes approximately 60,000 violations to be reported annually. This notifications, correspondence, and reinstatement procedures will require four Telephone Information Operators, four Office Support Assistants and associated forms and postage for 60,000 notices and approximately 30,000 reinstatements.

1200 hours of overtime programming and 500 hours of testing will be required to modify the computer systems which support the suspension of motor vehicle registration in FY05 at a total cost of \$40,000.

DOR cannot determine the number of reinstatements, but assumes 50% of the notices received would trigger reinstatement, totaling revenues of \$600,000 annually in FY06, FY07, and subsequent years.

According to the Missouri Constitution, this revenue is to be dispersed in the following manner:

State Road Fund	75%
Cities	15%
Counties	10%

Sections 301.134, 301.144, 301.2999, 301.3074, 301.3079, 301.3106, 301.3122, 301.3124, 301.3125, 301.3126, 301.3128, 301.3129, 301.3130, 301.3132, 301.3133, 301.3137, 301.3139, 301.3140, 301.3141, 301.3144, 301.3146, and 301.3999

This proposal creates twenty new license plate types and creates new categories in the existing specialty plates by increasing the weight limit to 18,000 pounds. DOR assumes these changes will require the services of one Clerk Typist II to process these applications. DOR will incur

ASSUMPTION (continued)

expenses for forms, procedures, postage, and plates/tabs in the amount of:

Procedures, Forms (including plate design) and Envelopes	=	\$ 6,459
Postage	=	\$ 53,770
Plates and Tabs	=	\$ 51,873

DOR will require 180 hours of overtime programming to modify the special plate reservation program, the renewal pull program for fees, and the Uniform Field Office System (UFOS). Programming overtime costs for FY05 will be approximately \$4,221. In addition, the State Data Center will require \$500 storage costs annually for these plate records.

DOR anticipates 8,313 applications for these new plates. The \$15 fee for these applications would result in the following revenue:

FY 05 (10 months) Income
6,928 plates issued * \$15 plate fee \$103,912

FY 06 Income
8,313 plates issued * \$15 plate fee \$124,695

FY 07 Income
8,313 plates issued * \$15 plate fee \$124,695

The increase in regular personalized plate fees to \$25 from \$15 would result in the following revenue:

FY 05 (10 months) Income
106,464 plates issued * \$10 fee increase \$1,064,641

FY 06 Income
127,757 plates issued * \$10 fee increase \$1,277,570

FY 07 Income
127,757 plates issued * \$10 fee increase \$1,277,570

According to the Missouri Constitution, this revenue is to be dispersed in the following manner:

State Road Fund 75%

RK:LR:OD (12/02)

ASSUMPTION (continued)

Cities	15%
Counties	10%

DOR estimates that \$5,000 each would be submitted by the 20 organizations receiving specialty plates.

Section 301.132

DOR assumes this proposal will require \$379 for revision to field procedures and envelopes and \$151 for the postage distribute the revised procedures to the field. DOR also assumes programming costs to make modifications to GRS and all associated systems, including the Missouri Transportation Accounting System and to include the word "replica" on the title. Programming costs for these systems are estimated at \$7,924. In addition, the State Data Center has indicated that this proposal will require approximately \$500 annually for computer storage costs associated with these changes.

DOR has estimated a 1% growth rate on registered vehicles. Currently, DOR registers 135 street rod motor vehicles. Additionally, there are approximately 163,696 motor vehicles currently on the GRS with a model year of 1949 through 1978 that would qualify as custom vehicles. Assuming only 5% of these owner for this type of vehicle would apply as a custom vehicle, \$204,625 would be generated annually.

Section 301.132

DOR assumes this proposal will require \$379 for revision to field procedures and envelopes and \$151 for the postage distribute the revised procedures to the field. DOR also assumes programming costs to make modifications to GRS and all associated systems, including the Missouri Transportation Accounting System and to include the word "replica" on the title. Programming costs for these systems are estimated at \$7,924. In addition, the State Data Center has indicated that this proposal will require approximately \$500 annually for computer storage costs associated with these changes.

DOR has estimated a 1% growth rate on registered vehicles. Currently, DOR registers 135 street rod motor vehicles. Additionally, there are approximately 163,696 motor vehicles currently on the GRS with a model year of 1949 through 1978 that would qualify as custom vehicles. Assuming only 5% of these owner for this type of vehicle would apply as a custom vehicle, \$204,625 would be generated annually.

Sections 301.196, 301.197, 301.198, and 301.280

ASSUMPTION (continued)

DOR estimates 1,270,256 notices of transfer received (based on current titles) the first year and 920,480 each year thereafter (this number is reduced due to dealers required to file sales reports electronically in year two of implementation). DOR will require the following FTE and associated costs: 14 Revenue Licensing Technicians I the first year and 11 each year thereafter; 6 Telephone Information Operators I to answer inquiries that this notification will generate; 1 Photographic Machine Operator to microfilm sale notifications; 1 Revenue Section Supervisor; and 1 Revenue Licensing Unit Supervisor.

DOR assumes this proposal requires programming modifications to DOR's vehicle lien file and General Registration System (GRS). Such modifications will require 275 hours of programming for 1 Computer Information Technician Supervisor, 5,504 total hours for 2 Computer Information Technologist Specialist III's and 80 hours of programming for 1 Information Support Coordinator, totaling \$174,295 in programming costs. Additionally, 1 Computer Information Technologist III will be required to design, test, and implement the dealer on-line sales report and the interface of notification reporting through the dealer sales report information.

It is estimated by DOR that they will need 1.89 FTE Tax Collection Techs to process 169,788 delinquency notices, 7.38 FTE Tax Collection Techs for phone calls on the delinquency notices (based on a 50% calling rate), and 2.78 FTE Tax Processing Techs to process correspondence generated due to the notices (based on a 20% correspondence rate), and the associated costs.

ASSUMPTION (continued)

Based upon the current 75% collection success rate for delinquent transactions, DOR anticipates that it will collect the following additional revenues on 59,435 transactions:

	Percent of response to delinquent fee letter accounts	Average Tax amount	
Sales Tax (47%)	27,935	\$454	\$12,682,267
Use Tax (53%)	31,501	\$125	\$3,937,577
Local Tax	59,435		\$5,900,536
Title Fee*	59,435	\$8.50	\$505,199
Processing Fee*	59,435	\$6	\$356,611
License Fee*	59,435	\$28.05	\$1,667,155
Railroad Grade Crossing Fee	59,435	\$0.25	\$14,859
<i>Total State Revenue Increase</i>			<i>\$19,148,808</i>

* – 2,528,965 as indicated above would be collected for titling, registration, and processing of motor vehicle transactions, a portion of which is distribution to cities and counties per the Missouri Constitution.

Section 301.219

DOR anticipates that during the first year of implementation of this act, one-half of salvage business licensees would register for one year and one-half would register for two years. Accordingly, for the first year only, there would be an increase in revenue of approximately \$71,500. For subsequent years, there would be no change in revenue.

Sections 302.177, 302.225, 302.272, 302.273, 302.302, 302.309, 302.345, 302.347, 302.700, 302.725, 302.727, 302.735, 302.740, 302.755, 302.756, 302.760, and 577.054

DOR assumes this proposal will require numerous procedure and forms changes and changes to systems programming. 5,680 hours of internal overtime programming and testing will required,

ASSUMPTION (continued)

as will 100 hours of contracted programming for a total cost of \$140,240.

Sections 301.055, 301.057, 301.058, 301.129, and 301.130

DOR assumes this proposal requires the Advisory Committee to hold at least three public meetings in different areas of the state to invite public input on the design of new plates. This will require meals and lodging expenses totaling \$3,045. Also required will be 2 Management Analyst I's for six months of FY06 to perform tasks related to the development, coordination, issuance, and distribution of new plates. Two Management Analyst I's will be required for six months of FY07 and one will be required for the remaining six months of FY07 and six months of FY08. 352 overtime hours will be required of a Clerk I in FY07, 470 hours in FY08, and 118 hours in FY09.

Costs for new forms, envelopes, postage and procedures would be approximately \$109,354 in FY and \$168,015 in FY07.

Factoring in the additional fees allowed by this proposal for the re-issuance, the following costs would be incurred for re-issuance above DOR's core budget: \$1,299,255 in FY06, \$1,029,474 in FY07, and \$733,460 in FY08.

DOR will incur costs to modify computer programs totaling \$19,768 annually in FY07 and FY08.

The implementation of a flat \$29.75 registration fee for passenger vehicles and commercial motor vehicles weighing under 12,000 pounds gross weight will generate revenues (assuming an effective date of January 1, 2007) of \$6,228,272 in FY07 and \$12,456,546 in FY08.

According to the Missouri Constitution, this revenue is to be dispersed in the following manner:

State Road Fund	75%
Cities	15%
Counties	10%

Section 304.029

DOR cannot determine the number of the low-speed vehicle owner wishing to operate such vehicles on public highways within the state. Costs related to titling, registration, and related program modifications are unknown to DOR, assumed to be less than \$20,000. **Oversight** assumes such costs will be minimal.

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ASSUMPTION (continued)

To implement this legislation, the DOR could require additional funds. In the past, the programs included in this legislation have been paid for with highway funds. This year, however, highway funds may not be available for this purpose as a result of legislation enacted by the General Assembly in 2000 that limits the use of highway funds.

This limitation is found in Section 226.200.3, RSMo. It places a cap on the highway funding available to state departments other than the Department of Transportation. The total amount of highway funds appropriated to these other state departments (including the DOR) cannot exceed the total amount of their fiscal year 2001 highway appropriations. This cap limits the highway funds that will be available for the implementation of this legislation.

If highway funds are not available, then another source of funding must be identified to pay for the cost of implementing this legislation.

This proposal could increase state revenue through plate fees.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Income – DOR</u>			
Motor Vehicle Sales Tax	<u>\$0</u>	<u>\$2,251,290</u>	<u>\$4,502,580</u>
NET ESTIMATED IMPACT ON GENERAL REVENUE	<u>\$0</u>	<u>\$2,251,290</u>	<u>\$4,502,580</u>

HIGHWAY FUND

Income–DOR

License Plate & Reinstatement Fees	\$1,191,040	\$1,373,449	\$1,673,449
Sales Tax	\$0	\$2,258,795	\$4,517,589
Use Tax	\$0	\$1,747,446	\$3,494,891
Titling, Processing, and Registration Fees	\$0	\$948,362	\$6,567,927
<u>Total Income–DOR</u>	\$1,191,040	\$6,328,052	\$16,253,856

Cost–DOR

Equipment and Supplies	(\$283,807)	(\$626,219)	(\$134,914)
Forms and Postage	(\$66,220)	(\$235,806)	(\$434,183)
Plates and Tabs	(\$51,873)	\$0	(\$1,299,255)
Salaries and Fringe Benefits	(\$25,451)	(\$1,033,310)	(\$1,661,046)
Storage	(\$1,500)	(\$1,500)	(\$1,500)
<u>Total Cost–DOR</u>	<u>(\$428,851)</u>	<u>(\$1,896,835)</u>	<u>(\$3,530,898)</u>

NET ESTIMATED EFFECT ON HIGHWAY FUND	<u>\$762,189</u>	<u>\$4,431,217</u>	<u>\$12,722,958</u>
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INSURANCE DEDICATED FUND

INS–Salaries and Fringe Benefits	<u>(\$99,601)</u>	<u>(\$113,036)</u>	<u>(\$115,924)</u>
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RR GRADE CROSSING FEE**	<u>\$0</u>	<u>\$7,430</u>	<u>\$14,859</u>
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CONSERVATION TAX**	<u>\$0</u>	<u>\$245,856</u>	<u>\$491,711</u>
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PROP C**	<u>\$0</u>	<u>\$750,430</u>	<u>\$1,500,860</u>
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STATE PARKS FUND**	<u>\$0</u>	<u>\$98,343</u>	<u>\$196,685</u>
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PARKS/SOIL FUND**	<u>\$0</u>	<u>\$98,343</u>	<u>\$2,400,800</u>
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** – Allocations from sales/use tax receipts.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>Income—Cities</u>			
License Plate Fees and Reinstatement	\$203,908	\$334,690	\$334,690
License Plate Re-issuance	\$0	\$0	\$472,319
Motor Vehicle Sales & Use Tax	\$0	\$2,487,002	\$4,974,003
Motor Vehicle Registration Fees	<u>\$0</u>	<u>\$189,673</u>	<u>\$1,313,586</u>
Total Income—Cities	\$203,908	\$3,011,365	\$7,094,598
<u>Income—Counties</u>			
License Plate Fees and Reinstatement	\$135,938	\$223,128	\$223,128
License Plate Re-issuance	\$0	\$0	\$314,879
Motor Vehicle Sales & Use Tax	\$0	\$1,330,194	\$2,660,386
Motor Vehicle Registration Fees	<u>\$0</u>	<u>\$126,448</u>	<u>\$875,723</u>
Total Income—Counties	<u>\$135,938</u>	<u>\$1,679,770</u>	<u>\$4,074,116</u>
NET ESTIMATED IMPACT ON LOCAL FUNDS	<u><u>\$339,846</u></u>	<u><u>\$4,691,135</u></u>	<u><u>\$11,168,714</u></u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This legislation revises various provision related to motor vehicles.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Natural Resources
Office of Secretary of State
Office of State Courts Administrator
Department of Elementary and Secondary Education
Department of Transportation
Department of Public Safety – Missouri State Highway Patrol
Department of Insurance
City of Kansas City



Mickey Wilson, CPA
Director
April 1, 2004